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DATE: **March 6, 2003**

TO: **Assessors**
Equalization Directors

FROM: **Property Tax Division**

RE: **POSSIBLE IRREGULARITIES IN THE PERSONAL PROPERTY STATEMENTS FILED BY SOME MULTI-JURISDICTION TAXPAYERS.**

Beginning with the 2000 assessment year, the reporting and valuation procedures for assessable personal property were revised. The recommended valuation procedure prior to assessment year 2000 was characterized by selection of one overall life for the assets based on the nature of taxpayer's business and the overall character of its assets. The revised procedures are entirely asset based and require uniform, consistent reporting of the assets by taxpayers.

Michigan Complied Laws 211.19 requires taxpayers to report their assessable property using a written statement in a form prescribed by the State Tax Commission. It has come to the attention of the Property Tax Division that certain taxpayers reporting personal property to multiple Michigan jurisdictions may have failed to comply with the instructions for categorizing their assessable property, as contained in form L-4175 (also referred to as form 632), as contained in its schedules and/or as contained in the Commission's Bulletin 12 of 1999, Bulletin 1 of 2000 and Bulletin 3 of 2000. Other taxpayers may not be reporting their costs correctly.

The Instructions to form L-4175 require a taxpayer that is uncertain of the proper categorization of its property on the form to contact the assessor or the State Tax Commission for clarification. Page 15-1 of Chapter 15 of Volume III of the Assessors Manual, states that use of the recommended valuation multipliers results in "uniformity in the valuation of personal property statewide." The Manual provides that "where conditions warrant a change in general policy, because of special circumstances or regulations, the assessor and/or taxpayer shall seek the advice of the State Tax Commission." In the view of the Property Tax Division, all taxpayers, especially those filing in multiple jurisdictions, must consult with the State Tax Commission so that uniformity can be maintained. While a personal property taxpayer has the right to provide supplementary materials seeking to convince the assessor or the Commission that the valuation multipliers recommended by the Commission fail in a particular instance to correctly estimate true cash value, **the taxpayer has no discretion in the proper method of reporting**. It is the view of the Property Tax Division that a taxpayer's failure to report its assessable property in accordance with the instructions referred to above probably constitutes incorrect reporting pursuant to MCL 211.154.

Assessors are alerted to the fact that they should **never** rely on a taxpayer's calculation of true cash value and should instead perform all of their own calculations. Assessors are also reminded that taxpayers must report on a State Tax Commission approved form and that **no** assessor has the authority to approve any deviation in the taxpayer's method of reporting (although professional judgment may be exercised in the determination of true cash value itself).

This letter addresses a number of reported instances where taxpayers may have failed to correctly categorize their assessable personal property in the completion of form L-4175 or its schedules. Review of the Division's previous memorandum to Equalization Directors dated March 8, 2002 discloses that many of the taxpayers named below may have reported incorrectly for the 2002 assessment year as well. The Property Tax Division, at the end of this memorandum, suggests several alternatives if a local assessor discovers incorrect reporting by a taxpayer. Assessors are urged to review the statements of these taxpayers and take appropriate action if incorrectly reported and/or omitted property is noted.

For the past several years it has been reported to the Property Tax Division that **Xerox Corporation** and **Xerox Lease Equipment LLC (both hereafter referred to as "Xerox")** may have reported digital copiers on Section F of the personal property statement rather than on Section D. The instructions to the personal property statement for the 2003 assessment year **specifically** provide in the instructions to Section D, that " copiers (including digital copiers)" are to be reported in Section D. The instructions to Section F further **specifically** direct the taxpayer "(not to) report digital copiers in (Section F) even if the equipment can also be used as a computer peripheral." Digital copier equipment is capable of being connected to a computer, in a manner that the equipment can be used as a computer printer and/or can be utilized as a facsimile machine. Such equipment must be reported in Section D, notwithstanding the fact that this equipment can be used as a computer printer and uses digital technology. The defining characteristic of a copier is its ability, in a practical way, to accomplish volume, freestanding, document reproduction in one piece of equipment that combines the functions of both scanning and reproduction of a document. The proper reporting of personal property on the personal property statement is determined by its indicated economic life rather than by the similarity or dissimilarity of its components to those of a computer. In October of 2002 the State Tax Commission considered and granted the request of the City of Warren that **Xerox's** 2001 personal property assessment be increased, based on the Commission's determinations that:

1. **Xerox** failed to correctly report the original historic cost of its assessable equipment on its 2001 personal property statement and thereby understated it costs; and,

2. **Xerox** reported Digital copiers as computers, rather than under Section D, as required by the instructions.

The Property Tax Division, by letters dated October 8, 2001 and April 24, 2002, requested that **Xerox** provide information and data in writing to support its reported costs and its proper reporting of equipment as computers. The Property Tax Division has also invited **Xerox** to support its contention that its digital copiers (referred to as documents centers) have an economic life similar to that of computers and dissimilar to that of non-digital copiers and other office equipment. To this point, the information provided by **Xerox** has been limited, largely non-written and non-specific in

nature. **Xerox** has not obtained the approval of the State Tax Commission to report digital copier equipment (what it calls document centers) in Section F. Although **Xerox** claims that some items of property are, in fact, computer peripherals, such as scanners or single function printers, the Property Tax Division has not, at this point, been able to identify any leased or rented equipment of **Xerox** that will qualify for reporting on Section F of form L-4175 and does not, in any case, believe that **Xerox** reports significant amounts of such property. Further, it has been reported to the Property Tax Division that **Xerox** may have indicated in its 2003 cover letter that the cost reported is not the original acquisition cost new for the property. Rather, **Xerox** may have reported its older equipment using the cost that it reported for 2002, rather than original historic cost. If so, this method of reporting is not in accordance with the instructions of form L-4175. The State Tax Commission's recommended valuation multipliers are intended to be used with original acquisition cost and year new rather than a "rebooked" cost. The STC recommended valuation multipliers provide a reliable indication of true cash value only when applied to the original acquisition cost and year new. The assessor must, therefore, appraise such assets if cost and year new is not reported. Suggestions for making such an appraisal are contained on page 13 of the December, 2000 issue of the Michigan Assessor. The assessor might also consider attempting to derive the original cost new from the previous filings of the taxpayer.

As detailed below, there is a continuing problem with incorrect reporting by the owners of transmission pipeline assets. Assessors should review ALL of the submissions by pipeline companies to assure that the rights-of way and easements are reported and assessed. The currently known problems are as follow.

It has been reported that **Wolverine Pipeline Company aka ExxonMobil** may have **again** failed to report the acquisition cost of its rights-of-way, claiming perhaps that the right-of-way is real property not subject to assessment. However, MCL 211.8(g) specifically provides for the assessment of rights-of way and easements of pipeline companies as personal property. **Generally, the Property Tax Division expects that there will be right-of–way acquisition costs associated with every part of a transmission pipeline.**

It has been reported to the Property Tax Division that **Shell Oil Company aka Shell Michigan Pipeline LLC** may have **again** failed to complete form 3589 to report its pipeline assets (instead reporting on Section B using Table K multipliers) and may have **again** failed to report its right-of–way and easement costs as required on that form 3589. MCL 211.8(g) specifically provides for the assessment of rights-of way and easements of pipeline companies as personal property. **Generally, the Property Tax Division expects that there will be right-of–way acquisition costs associated with every part of a transmission pipeline.** Further, it has been reported that Shell has asserted that it should be granted a downward adjustment in its reported acquisition cost for the pipeline in question to reflect a 18% pass-through rate. To affect this view, it has apparently entered a negative amount in the "adjustment" section of the "Summary and Certification" on page one of form L-4175. This line is reserved for the use of the assessor and unless careful attention is given to the matter during processing, assessors might inadvertently grant this allowance without realizing it. On some occasions in the past, the State Tax Commission has recommended valuation allowances for property such as this. However, no request for review of this matter has been received by the State Tax Commission and this adjustment has not been authorized or recommended by the State Tax Commission. It is the view of the Property Tax Division that the method suggested by the

taxpayer for calculating an economic obsolescence is probably contrary to accepted valuation theory.

It has been reported to the Property Tax Division that **BP America, Inc. aka BP Products North America, Inc. aka Amoco Oil Company** may be reporting equipment related to its transmission pipeline in Section B of form L-4175 rather than on Table K of form 3589. Equipment located at and forming a part of the pipeline and/or its compressor and/or pumping stations is considered part of the pipeline itself and should not be reported on Section B of form L-4175. Bulletin 1 of 2000 provides that pipelines **and related equipment** are reported on Table K of form 3589. Further, it has been reported that **BP America, Inc. aka BP Products North America, Inc. aka Amoco Oil Company** may have **again** failed to report the acquisition cost of its rights-of-way, claiming perhaps that the right-of-way is real property not subject to assessment. However, MCL 211.8(g) specifically provides for the assessment of rights-of way and easements of pipeline companies as personal property. **Generally, the Property Tax Division expects that there will be right-of–way acquisition costs associated with every part of a transmission pipeline.**

It has been reported to the Property Tax Division that **Embridge Energy, LP, formerly Lakehead Pipeline Company, LP**, although it has filed its pipeline assets using Table K of form 3589, has modified the form in an unauthorized manner, and **has changed the multipliers from those adopted** by the State Tax Commission to other, unapproved, multipliers different than those adopted by the Commission. It should be noted that the State Tax Commission, on April 12, 2000, authorized the application of a 28 % allowance for that portion of the pipeline lying east of Stockbridge and specifically eliminated any allowance for that portion of the pipeline lying west of Stockbridge. However, even for those portions lying east of Stockbridge, the taxpayer has no authority to incorporate the allowance into the Table K multipliers. This unauthorized change in the form and the use of a form L-4175 that does not bear a current State Tax Commission approval date results in a failure to file on a State Tax Commission approved form, as required by MCL 211.19. Further, it has been reported to the Property Tax Division that the taxpayer may have claimed idle, surplus and/or obsolete equipment status for its pipeline and related equipment assets, using form 2698. Idle, surplus and/or obsolete equipment status is not permitted for pipeline and related equipment assets. The taxpayer's use of form 2698 in an attempt to claim such status is incorrect. The State Tax Commission has intentionally not provided a form for such reporting.

It has been reported to the Property Tax Division that **several wireless (cellular) telephone companies** may be reporting all or part of their costs incorrectly. The specific instances of apparent incorrect reporting are detailed later in this memorandum but assessors should examine all cellular company renditions to assure compliance. The proper categorization of cellular tower site assets is set forth in STC Bulletin 3 of 2000. Unless property at the site is capable of being used to accomplish general data processing procedures (in a manner such that it could be practically converted to another non-communications application) it is not reported under Section F of the form L-4175. This is the case even if the equipment is communications equipment, switching equipment, transmitting equipment and/or receiving equipment that is "computerized". The Property Tax Division does not normally expect to find any significant costs reported on Section F of form L-4175 for a cellular site. In particular, the Property Tax Division expects to find the greater portion of the total (non-tower) costs for the site reported on Section D of form L-4175.

The Property Tax Division is aware of arguments of the representatives of the wireless telephone companies that their communications equipment is over-valued by the use of the Table D multipliers. The Property Tax Division does not, at this time, have any information from which it can conclude that these arguments have merit. The Division has, on a number of occasions, requested that the wireless telephone companies provide detailed information relating to costs, placements, relocations, retirements and sales of such assets. The concern of the Property Tax Division is that, to date, its investigation has shown that many of the assets used at cellular sites do not seem to exhibit the high rate of technological change claimed by the wireless companies. Further, the Division has not been able to determine that there exists a high rate of disposal for even the items mentioned by the representatives as having a shorter economic life. Without a detailed, objective and comprehensive study of all the wireless assets that are valued by Table D, the Property Tax Division cannot conclude that the assets, as a group, are overvalued. The wireless companies have not provided the detailed data necessary for such a study. The claims of these taxpayers are anecdotal in nature. The Property Tax Division does not believe that a case can be made for overvaluation of the cellular site assets if that case is based on only a selection of some of the assets. Similarity of appearance of components to computer equipment does not result in an entitlement to report in Section F. Only assets having an economic life similar to that of computer equipment should be valued using the Table F multipliers. The staff of the Property Tax Division has no information to indicate that the economic life of cellular site equipment is similar to that of computer equipment. If all the data needed for a study is made available, the Property Tax Division will recommend to the State Tax Commission that further analysis be undertaken.

Freestanding communications towers must be reported on Section N of form L-4175. Beginning in the 2003 assessment year, these towers, if they are located on leased land, are assessed separately to the tower owner on the real property roll, pursuant to P.A. 415 of 2000. The recommended valuation procedure for most freestanding communications towers is set forth in Bulletin 3 of 2000 and is updated in Bulletin 15 of 2002. Assessors should take care to assure neither omission nor double assessment of freestanding communications towers. Freestanding communications towers are valued using real property valuation principles and do not qualify for idle or obsolete and surplus treatment or for a 50% construction in progress allowance. Finally, a cellular company that continues to provide analog cellular service must continue to report the cost of its analog equipment, even if it has also installed digital equipment.

A number of assessors have reported to the Property Tax Division that the acquisition costs disclosed on the cellular site owner's personal property statement may not include many of the costs that it may have incurred and booked for financial accounting purposes. Frequently these costs amount to one hundred thousand dollars, or often, significantly more. All costs associated with the equipment located at a cellular tower site must be reported, including, but not limited to, site preparation, the foundation, the design and construction engineering and the expense of installation. See State Tax Commission Bulletins 1 of 1999 and 3 of 2000.

It has been reported to the Property Tax Division that **AT & T Wireless PCS LLC** may have reported most of its cellular tower site assets in Section F of form L- 4175 rather than in Section D as the Property Tax Division would expect.

It has been reported to the Property Tax Division that **Cingular Wireless LLC aka Detroit SMSA LP aka Ameritech Mobile Communications LLC** may have reported most of its cellular tower

site assets in Section F of form L- 4175 rather than in Section D as the Property Tax Division would expect.

It has been reported to the Property Tax Division that **OmniPoint Holdings, Inc. dba T-Mobile** may have reported most of its cellular tower site assets in Section F of form L- 4175 rather than in Section D as the Property Tax Division would expect. Further, it appears that this taxpayer has failed to report using a State Tax Commission approved form and instead used an attachment to the form.

According to the tax representative, Rash and Associates (hereafter "Rash"), the assets of **CenturyTel, Inc.** were sold to **ALLTEL Corporation** on August 1, 2002. Rash indicates that "pursuant to the accounting required by this purchase, all assets involved in the transaction were recorded by **ALLTEL** at their acquisition costs. Accordingly, the enclosed return(s) have been prepared on the basis of acquisition costs." The instructions to form L-4175 **(Page 1, Line 6**) require that if the acquisition cost new of an asset is "known … or can be reasonably ascertained" the cost reported must be "acquisition cost new" in the "year that it (the property) was new." Rash presumably has the historic cost records, since it has acted as the tax representative of both **CenturyTel** and **ALLTEL**. The Property Tax Division has specifically instructed Rash in the past regarding the correct reporting of these (**CenturyTel**) assets. The Property Tax Division is aware of no reason that this taxpayer cannot report the historical cost and acquisition year of these assets. The reason given in the Rash letter, as set forth above, is not sufficient to establish the use of the alternative reporting procedure contained in the instructions **(Page 1, Line 6**). Further, even the alternative reporting procedure has not been properly accomplished, since the taxpayer has not answered question 6, has not attached a sufficient letter of explanation and has not attached a sufficient itemized listing. The itemized listing must describe each asset individually and show the Section, acquisition year and cost at which each asset has been reported and the estimated age of the property. Even if the original acquisition cost and year new is not ascertainable, the taxpayer is authorized to report "rebooked" costs, **only if the alternative reporting instructions are followed**. The reason for this procedure is that the STC recommended valuation multipliers provide a reliable indication of true cash value only when applied to the original acquisition cost and year new. The assessor must, therefore, appraise such assets if cost and year new is not reported. Suggestions for making such an appraisal are contained on page 13 of the December, 2000 issue of the Michigan Assessor. Finally, since both **CenturyTel** and **ALLTEL** have the same Federal Identification Number, it appears that there may have been a merger or acquisition, rather than a true sale. If this is so, then this fact provides further assurance that the historic cost and acquisition years can be determined. Arising from these facts, it appears that this taxpayer has probably reported incorrectly. The Property Tax Division suggests that assessors examine **CenturyTel's** previous renditions to develop correct costs.

It has been reported to the Property Tax Division that **MIOP, Inc. aka TrinTel Communications. Inc.** is reporting a cost of construction of its communications tower that has already been depreciated and has thereafter been adjusted downward to only 69 per cent of the depreciated cost. If this is the case, such a reporting methodology represents an incorrect reporting practice arising from the fact that costs should not be depreciated or otherwise adjusted before inclusion on the from L-4175. In this case, the taxpayer's justification is the poor business results experienced by the tower's owner. However, in the opinion of the Property Tax Division, the cost, income and sales comparison arguments of the taxpayer are flawed. Among other things, these flaws include the

failure to adjust to the subject for differences (in the sales comparison approach), the failure to properly document either the net operating revenue and capitalization rate used (in the income approach) and the failure to properly determine the reproduction cost, the depreciation and the economic obsolescence (in the cost approach). In any case, as stated previously, although the taxpayer can urge a lower value for the assets, it has no discretion in its method of reporting.

It has been reported to the Property Tax Division that **Universal Compression, Inc.** may have equipment located at, and used in conjunction with, transmission pipeline systems and may be urging the valuation of this equipment on Section B of form L-4175. The taxpayer has apparently not completed the personal property statement and has instead used an unauthorized attachment, which fails to identify the property as pipeline related. Pipeline pumping system and/or compression equipment should be reported on form 3589 under Tables J or K, as appropriate. Equipment located at and forming a part of the pipeline and/or its compressor and/or pumping stations is considered part of the pipeline itself and should not be reported on Section B of form L-4175. Bulletin 1 of 2000 provides that pipelines **and related equipment** are reported on form 3589.

It has been reported to the Property Tax Division that **WideOpenWest Michigan, LLC**, which acquired the cable television systems of Ameritech New Media, Inc. in 2001, may have again report a "rebooked" cost, showing the allocated purchase price on the 2001 acquisition year, rather than historic cost. This method of reporting is not in accordance with the instructions of form L-4175, particularly since the alternative reporting procedure has not been followed. The State Tax Commission, at its meeting on February 25, 2003 granted the petitions of the City of St. Clair Shores and the Township of Canton requesting correction of this taxpayer's 2002 assessments, based on an assessment calculated from historic cost, rather than the rebooked cost reported by the taxpayer. This determination of incorrect reporting was based on both the fact that the taxpayer reported rebooked costs without complying with the alternative valuation procedure and the fact that the taxpayer had, and did not report, the historic costs and acquisition years available to it for use in reporting historic costs and acquisition years. Assessors may wish to consider estimating this taxpayer's assessment by estimating 2001 and 2002 acquisitions and using this estimate in conjunction with an estimation that the previous acquisition years have remained the same.

It has been reported to the Property Tax Division that **Comcast Cablevision of the South, Inc.** may be taking idle equipment status for certain as yet undetermined components of its cable system. One Assessor has related an explanation provided by **Comcast** that the claim relates to strands of its fiber optic cable that are not presently being used. Idle equipment status should not be granted for cable television system assets unless the claim relates to readily moveable equipment that is not an integrated part of the cable system itself, such as office equipment, mobile equipment or free-standing machinery not integrated into the system. Unused strands of a fiber optic cable are not idle equipment or construction in progress. The form 3698 used to report idle and obsolete and surplus equipment intentionally has no place for reporting either cable system assets or electric, fluid or gas distribution or transmission assets. While it is possible for a section of a cable system to be construction in progress (if the entire section has not yet been placed in service) and although it might be possible for a section to be completely abandoned in place, it is not possible for a portion of an active cable television system to be idle or obsolete and surplus equipment. **Comcast's** rendition may be further defective arising from its failure to complete the forms L-4175

and 3589. The effect may be to create a confusing attachment to these forms. Due to this, the assessor may fail to notice the taxpayer's calculation of an idle equipment adjustment or may inadvertently fail to include some reported costs in the calculation of true cash value entirely. Assessors are cautioned to examine this taxpayer's rendition thoroughly.

It has been reported to the Property Tax Division that **Rent-A-Center** may be reporting its rent-to-own property as rental videotapes and games (on Section C), rather than on the Section appropriate for the type of property owned. The Property Tax Division would expect to find most of such rent-to-own property reported on Section A (furniture) or on Section D (electronic equipment).

It has been reported to the Property Tax Division that **Pinnacle Towers, Inc.** may have reported its freestanding communications towers based on a "rebooked" cost, or as it terms it, a cost based on " a model, which estimates fair market value." This "rebooked" cost, according to one report may be only a small fraction (10%, or less) of the building permit cost. No information is presented as to the methodology used to estimate the fair market value or the qualifications of the persons making the estimate. Further, the explanation contained in **Pinnacle's** letter failed to disclose that the historic cost and acquisition year is not "known … or … reasonably ascertained." In fact, no effort, investigation or inquiry, whatsoever, to obtain historical cost and year of construction, has been described in **Pinnacles'** letter and there is no particular reason for believing that the "costs" reported are even those booked for financial accounting purposes. In the opinion of the Property Tax Division, the disclosure does not comply with the requirements imposed by the alternative valuation procedure contained in the instructions **(Page 1, Line 6)** to form L-4175.

It has been reported to the Property Tax Division that **Lamar Advertising of Saginaw**, when filing its rendition for its freestanding billboards, has completed the column of Section N that is reserved for "Assessor's Calculations". Although the taxpayer is permitted to complete the "Assessor's Calculations" column on page 2 of form L-4175, the taxpayer cannot calculate the true cash value for freestanding billboards, for the reason that the State Tax Commission has not adopted recommended historical multipliers for freestanding billboards. Further, these billboards are not valued at the taxpayer's net book value, as it appears the taxpayer is suggesting. The Assessor must value freestanding signs and billboards using real property valuation principles, by measuring and listing the property, calculating reproduction cost and then applying depreciation. The Property Tax Division has a packet of materials available to assist assessors in making such valuations. The Table A multipliers are only to be used to value non-freestanding signs and to value very small freestanding, lightweight signs such as the blue freeway signs located in the right-of –way and used to notify drivers of the availability of restaurants, gasoline and motels.

It has been reported to the Property Tax Division that **Pitney Bowes, Inc.** may have factored downward the costs of its mechanical postage meters. Apparently, this procedure has been justified by it based upon the reasoning that since the United States Postal Service has ordered the discontinuance of the use of such meters by December 31, 2006, or December 31, 2008, these meters suffer from functional obsolescence. However, as indicated previously in this communication, a taxpayer has no discretion in the method of reporting its costs on its personal property rendition. In the opinion of the Property Tax Division, **Pitney Bowes'** downward factoring of its costs represents an incorrect reporting procedure. Further, the taxpayer's reasoning appears to be faulty for several reasons. First, the Table D recommended for use in valuing postage equipment assumes that the properties valued will have a variety of economic lives. Many of these

meters are several years old already and they can continue in use for at least three, and perhaps five years into the future. In fact, in the two renditions examined by the Property Tax division, 68 % were placed in service in 1998, or prior. Even if these meters must be retired by the end of 2006, the economic life, and the period during which these meters have generated revenue, is 8 years, or more. Such an economic life is not inconsistent with those of other types of property valued using Table D. Second, these meters are generally reported under Section D, along with other assets, such as non-mechanical meters, which are not affected by phase-out. The State Tax Commission's recommended multipliers are not to be used to value only part of a taxpayers assets (see Bulletin 12, of 1999), as this taxpayer has implicitly done when it claims that certain assets should receive an allowance. Finally, the Property Tax Division believes that the United States Postal Service probably determined the phase-out date based on its determination of the expected economic life of the meters.

It has been reported to the Property Tax Division that a number of **Electric Distribution Cooperatives** may have significantly changed their method of reporting costs from the methods used last year (or in previous years), resulting in a significant reduction in reported costs. Several of the Cooperatives filed MCL 211.154 petitions with the State Tax Commission, claiming that they previously incorrectly reported "contributions in aid of construction" (CIAC). Some of these petitions were dismissed by the State Tax Commission, for lack of jurisdiction, based on the fact that the Cooperatives had not incorrectly reported but had, instead, reported in accordance with the instructions that had been given to them. Further, the Commission determined that, for assessment year 2003, the Cooperatives would again be directed to report CIAC. The Property Tax Division surmises that reductions in reported cost that are noted by many assessors may be due to the fact that a Cooperative has disregarded the reporting instructions of the Commission. Further, the investigation of the Property Tax Division leads it to believe that some Cooperatives may have also incorrectly failed to report certain other costs, that are included in the costs filed with regulatory authorities and which the State Tax Commission has directed should also be reported to assessors. Assessors are advised to compare the 2003 filings of these taxpayers with their filings in previous years, particularly assessment years before 2000, and to make appropriate analyses, inquiries, appraisals and estimates, if necessary, as their professional judgment may indicate is appropriate.

The Property Tax Division has also received reports that some of the owners of electric generating plants may not be including the indirect costs of the electric generating equipment in their reports of real and personal property (including nuclear fuel) to local assessing units. Electric generating equipment includes improvements to land, structures, reactor buildings, reactor plant equipment, reservoirs, dams, waterways, boiler plant equipment, heat recovery steam generators, turbogenerators, water wheels, turbines, generators, and accessory electric equipment. Reportable indirect costs are described in the State Tax Commission's Bulletin 1 of 1999, Self-Constructed Assets. The Property Tax Division is aware that some companies have not included the allowance for funds used during construction and other indirect costs in the original cost of the equipment that was reported. There have been instances where the taxpayer identified these costs as excludable Miscellaneous Construction Expenditures (MCE). These costs should be reported as part of the original costs of the property being reported. The Utilities Valuation Section of the Property Tax Division also suggests that assessors having generating plants should also obtain from the taxpayers the costs associated with, and the certificate numbers of, Air and Water Pollution Control Certificates so that the value of the exempt facilities can be determined and excluded from the true cash value.

Several assessors have called to report that apartment complexes that own satellite television distribution systems are reporting these assets as cable television system assets using from 3589. This is incorrect. Only regulated cable television providers should be reporting on form 3589. Owners of private satellite television receiving systems should report the assets on the appropriate Sections of form L-4175, generally on page 2.

The Property Tax Division has also identified several other concerns. BS&A Software has informed the Property Tax Division that utility right-of-way costs must be added as a "Miscellaneous Adjustment" in its Equalizer software. The Property Tax Division reminds assessors that utility rights-of way are valued at acquisition cost, and must be included as part of the assessment. Assessors are also reminded that the new procedure for calculating Headlee Additions and Losses, as authorized in STC Bulletin 19 of 2002, **does not apply to the calculation of capped value** or to equalization new and loss. These latter procedures have not changed. The Property Tax Division has received reports of dramatic, and unjustified, reductions in taxable value caused by using the Headlee Losses and Additions to compute capped value. The proper procedure for calculating capped value for personal property is set forth in STC Bulletin 1 of 2000. Generally the Property Tax Division does not expect that, for most personal property assessments, the Taxable Value will be lower than the State Equalized Value.

The Property Tax Division requests that you inform local assessors regarding these reporting issues as soon as possible, so that any necessary corrective action can be taken. Variations from the required reporting format must be treated as a serious matter. If the assessor does not receive notice of the issues in this letter in time to correct the assessment roll, the Property Tax Division asks that the assessor submit the matter to the Board of Review for its consideration. If necessary, a petition for omitted and/or incorrectly reported property should be submitted to the State Tax Commission, pursuant to MCL 211.154. Assessors are also encouraged to bring matters of incorrect reporting to the attention of the State Tax Commission at their earliest opportunity. You may do so by calling Timothy Schnelle at (517) 373-6262.